Joint Committee on Taxation
October 14, 1990
JCX-34-90R
{D=JCX-35-90}

- Ways and Means Democratic Alternative -

BUDGET RECONCILIATION - REVENUE PROPOSALS

Fiscal Years 1991-1995

[Billions of Dollars]

Item	Effective	1991	1992	1993	1994	1995	1991-95
A. Deficit Reduction Provisions							
1. High-Income Individuals							
a. Individual rate structure: 15%/28%/33% (25% AMT rate; 28% maximum capital gains rate)	1/1/91	4.5	9.7	10.7	11.9	13.3	50.0
b. 10% surtax on taxable income over $1 million	1/1/91	0.6	1.4	1.6	1.8	2.1	7.6
c. Impose 10% luxury excise tax (1)	1/1/91	0.3	0.5	0.6	0.7	0.7	2.8
d. Increase Medicare (HI) wage cap to $100,000 (2)	1/1/91	1.5	4.7	5.0	5.3	5.6	22.0
2. Environmental Provisions							
a. Double gas guzzler tax (3)	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
b. Expand ozone-depleting chemical excise tax (4)	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
c. Extend Leaking Underground Storage Tank (LUST) Trust Fund excise tax at current rate (5 years)	D/o/E +30	0.1	0.1	0.1	0.1	0.1	0.6
3. Summit Agreement and Other Deficit Reduction Provisions							
a. Delay indexing one year (brackets and personal exemption)	1/1/91	4.1	7.6	7.8	8.1	8.4	36.0
b. Increase tobacco taxes by 4 cents per pack in 1991 and by 4 cents per pack in 1993 (5)	1/1/91	0.5	0.8	1.5	1.5	1.5	5.8
c. Increase beer, wine, and distilled spirits excise taxes (6)	1/1/91	1.4	1.9	2.0	2.0	2.0	9.3
d. Increase Airport Trust Fund aviation excise taxes (5 years) (7) (2)	12/1/90	1.4	2.3	2.5	2.7	3.0	11.9
e. Increase harbor maintenance excise tax to 0.125%	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
f. Loss deductions and salvage values for insurance companies (with fresh start)	1/1/90	0.2	0.1	0.1	0.1	0.1	0.6
g. Amortize insurance policy deferred acquisition expenses (DAC)	9/30/90	1.5	1.7	1.7	1.6	1.5	8.0

Item	Effective	1991	1992	1993	1994	1995	1991-95
h. Adopt tax compliance provisions including certain provisions from H.R. 4308	3/20/90	(8)	(8)	0.1	0.1	0.1	0.3
i. Retiree health with reversion excise increase and asset cushion requirement (9)	--	0.5	0.2	0.1	0.1	(8)	0.9
j. Certain business tax provisions:							
(1.) Expand and clarify reporting and allocation rules for certain asset acquisitions	10/10/90	(8)	(8)	(8)	(8)	(8)	0.1
(2.) Require accrual of redemption premium for certain preferred stock	10/10/90	(8)	0.1	0.1	0.1	0.1	0.4
(3.) Expand application of CERT rules to subsidiary acquisitions	10/10/90	(8)	0.1	0.1	0.1	0.1	0.4
(4.) Require recognition of corporate-level gain in certain divisive corporate transactions (5-year limitation period)	10/10/90	(8)	(8)	(8)	(8)	(8)	0.2
(5.) Clarify treatment of debt exchanges	10/10/90	0.1	0.1	0.1	(8)	(8)	0.3
k. Extend Social Security (OASDI) to State and local employees not participating in a public employee retirement system (2)	1/1/91	1.3	1.9	2.1	2.2	2.4	10.0
l. Extend FUTA 0.2% surtax (5 years) (2)	1/1/91	0.8	1.1	1.1	1.2	1.2	5.4
m. Foreign grantor trusts	1/1/91	(8)	(8)	(8)	(8)	(8)	(8)
n. Payroll tax deposit stabilization	--	1.0	2.2	-3.2	--	--	---
Subtotals, Deficit Reduction Provisions		***20.3***	***37.1***	***34.8***	***40.3***	***42.9***	***175.4***
B. Capital Gains Provisions							
1. 50% Exclusion; $200,000 Lifetime Cap (10)	10/15/90	2.2	-5.1	-3.9	-3.0	-2.8	-12.6
2. $1,000 Annual Exclusion (11)	10/15/90	(12)	-0.7	-0.7	-0.8	-1.0	-3.2
Subtotals, Capital Gains Provisions		***2.2***	***-5.8***	***-4.6***	***-3.8***	***-3.8***	***-15.8***
C. Progressivity Enhancement Provision							
Increase EITC	1/1/91	***-0.1***	***-2.1***	***-2.5***	***-2.7***	***-3.6***	***-11.0***
GRAND TOTALS		**22.4**	**29.2**	**27.7**	**33.8**	**35.5**	**148.6**

Joint Committee on Taxation

NOTES: Details may not add to totals due to rounding.
Interaction between or among items has not been taken into account for the purpose of this table.
In "Effective" column: D/o/E = Date of enactment; D/o/E +30 = 30 days after date of enactment.

[Footnotes appear on the following page]

[Footnotes for JCX-34-90R.]

(1) Tax applies to specific newly-manufactured items with retail prices above the following thresholds: automobiles--$30,000; boats and yachts--$100,000; jewelry--$5,000; furs--$10,000; and planes--$100,000. Automobiles, boats, and planes used to transport people or property for hire are exempt. Tax is 10% of purchase price in excess of thresholds.

(2) Estimate provided by CBO.

(3) The proposal subjects limousines (including stretch limousines) to the tax and repeals the small manufacturer exception.

(4) The tax with respect to the new chemicals subject to the tax is phased in as follows: 1991--$1.37, 1992--$1.37, 1993--$1.67, 1994–$3.00, 1995 and thereafter--$3.10.

(5) The tax on large cigars is based on manufacturer's or importer's actual, rather than suggested wholesale, price.

(6) Increase distilled spirits by $1 (to $13.50/proof gallon); double beer to 32 cents/6-pack ($18/barrel); increase dry wine to 25 cents/bottle ($1.27/gallon); and fortified wine taxed at current-law differential. Increases in wine rates have exceptions for some production by small domestic wineries, as in Summit Agreement; exceptions for small breweries, as under present law.

(7) This estimate is presented relative to the Congressional Budget Office (CBO) baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the aviation tax reduction trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes by 25% as proposed in the President's budget.

(8) Gain of less than $50 million.

(9) Permit certain tax-free transfers of excess pension assets to pay retiree health benefits. (Revenue effect in billions: 1991=$0.5; 1992=$0.3; 1993=$0.2; 1994=$0.2; 1995=$0.1; 1991-95 Total=$1.3.) Generally effective for reversions after September 30, 1990, increase the reversion excise tax to 20%. If the employer does not transfer 30% of the reversion to a qualified replacement plan or provide certain benefit increases to plan participants and retirees of at least 25% of the reversion, the reversion tax is 50%. (Revenue effect in billions: 1991=Loss of less than $50 million; 1992=$-0.1; 1993=$-0.1; 1994=$-0.1; 1995=$-0.1; 1991-95 Total=$-0.5.)

(10) For all assets except publicly-traded property and collectibles with a $200,000 lifetime exclusion.

(11) For all assets except collectibles, phased-out between $100,000 and $150,000. No carryover of unused exclusion. Gain eligible for exclusion does not reduce lifetime cap under Item B.1.

(12) Loss of less than $50 million.